GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4016
ANSWERED ON:09.08.2002
RURAL BANKS
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Will the Minister of FINANCE be pleased to state:

(a) the objectives behind setting up of rural banks country;

(b) the number of banks functioning as on state, wise;

(c) the State-wise investment made in these banks lith the share of the States; and

(d) the steps taken to ensure that proper functioning 1 banks to achieve the objectives for which they were ?

Answer

The MINISTER OF STATE IN THE MINISTRY OF FINANCECE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE) :

(a) The Regional Rural Ba ks) were established since 1975 under the provisions RRBs Act, 1976, with a view to developing the rural ny. At present 196 RRBs are functioning in 500 s in the country and have a network of 14313 ,8S. The main objectives of establishing the RRBs 1S under:

#to make banking serv~ces to the door steps of rural masses, particuarly in hitherto unbanked rural areas;

#to make institutional credit aNailable to the weaker sections of the society who had by far fiittle or no access to cheaper loans and had per force been depending on the private money lender;

#to generate employment opportunities in rural areas; and

#to bring down the cot of purveying credit in rural areas.

(b) and (c) As reported by National Bank for Agriculture and Rural Development (NABARD) the number of the RRBs functioning State wise as also investment made towards share capital of RRBs alongwith share of States is given in statement-I and investment made in the form of recapitalisation of RRBs State-wise alongwith share of States is given in statement-ll.

(d) RRBs were incurring losses, inter-alia, due to narrow spread, high transaction costs, lowproductivity, poor recoveries, restriction on choice of clientele and area of operation, low business volumes relative to branch network and high establishment costs. Government of India decided to revamp RRBs by infusion of additional capital for cleansing of Balance sheet ofselect RRBs. The total recapitalisation support given by Government of India till date is Rs. 1038.21 crore. In addition to this several policy changes have been initiated to facilitate strengthening and revitafisation of RRBs. These changes include:

(i) introduction of Development Action Plan and Memoranda of Understanding (DAPs/MOU) on an annual basis of bringing improvement in the performance of the RRBs in a planned wayand introduction of prudential norms covering income recognition, assets classification and provisioning norms.

(ii) diversification of business portfolios and activities;

(iii) nincreased avenues for investment of surplus Non-SLR funds;

(iv) rationalisation of branch network including relocation and merger of loss making branches;

(v) deregulation of interest rate structure;

(vi) providing greater role of the sponsor banks in management of affairs of RRBs;

(vii) the Self Help Group approach and issue of Kisan Credit Card on a large scale ispropagated to reach the un-reached pea clients in rural areas. Active involveme1 RRBs in Government sponsored programme yet another area which contributed to I generationof employment in particular I development of Rural areas in general